

**STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of Financial and Insurance Regulation

In the matter of:

Office of Financial and Insurance Regulation

Enforcement Case No. 09-7137

Petitioner

v

Kimberly A. Nehra
System ID No. 0202587

And

Strategic Group, Inc.
System ID No. 0017876

Respondents

_____ /

CONSENT ORDER AND STIPULATION

Issued and entered,
on 12/28, 2009,
by **Stephen R. Hilker**
Chief Deputy Commissioner

I.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. At all times pertinent to the matter herein, Kimberly A. Nehra ("Respondent or Nehra"), was a licensed resident producer authorized to transact the business of insurance in this state. Respondent's license became effective April 1, 2003.
2. At all times pertinent to the matter herein, Strategic Group, Inc. (SGI) was a licensed resident producer authorized to transact the business of insurance in this state.
3. At all times pertinent to the matter herein, Nehra was the sole shareholder of SGI. SGI is a dissolved Michigan corporation. Nehra and SGI are referred to herein as, "Respondents."

4. As licensed insurance producers, Respondents knew or had reason to know that Section 1239(1) of the Code, MCL 500.1239(1), states in pertinent part:

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

(b) Violating any insurance laws or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner.

(g) Having admitted or been found to have committed any insurance unfair trade practice or fraud.

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

5. As licensed insurance producers, Respondents knew or had reason to know that Section 4503 of the Code, MCL 500.4503, states in pertinent part:

A fraudulent insurance act includes, but is not limited to, acts or omissions committed by any person who knowingly, and with intent to injure, defraud, or deceive:

(a) Presents, causes to be presented, or prepares with knowledge or belief that it will be presented to or by an insurer or any agent of an insurer, or any agent of an insurer, reinsurer, or broker any oral or written statement knowing that the statement contains any false information concerning any fact material to an application for the issuance of an insurance policy.

(b) Prepares or assists, abets, solicits, or conspires with another to prepare or make an oral or written statement that is intended to be presented to or by any insurer in connection with, or in support of, any application for the issuance of an insurance policy, knowing that the statement

contains any false information concerning any fact or thing material to the application.

(d) Assists, abets, solicits, or conspires with another to prepare or make any oral or written statement including computer-generated documents that is intended to be presented to or by any insurer in connection with, or in support of, any claim for payment or other benefit pursuant to an insurance policy, knowing that the statement contains any false information concerning any fact or thing material to the claim.

6. Respondents have failed to uphold the standards as described below.

COUNT I

7. On or about May 13, 2005, LM Insurance Corporation (LM) filed a complaint in the United States District Court for the Eastern District of Michigan, Southern Division, against Payroll Services Nine, L.L.C., a Michigan Limited Liability Company, Payroll Services Ten, L.L.C., a Michigan Limited Liability Company, Strategic Group, Inc. a dissolved Michigan corporation, Gregory Nehra, a Michigan Resident, James M. McColgan, a Michigan Resident, James Presswood, a Michigan Resident, and Charles Lerchen III, a Michigan Resident. The complaint alleged the following:
- SGI assisted the defendants with obtaining workers compensation insurance policy effective July 2, 2002, through July 2, 2003. The policy in question was written 9 months prior to the licensing of Kimberly Nehra.
 - SGI assisted the defendants by falsely representing to LM the number of employees and the classifications to which the employees were assigned for purposes of calculating the premium due under the workers compensation policy the defendants obtained from LM.
 - SGI assisted the defendants in misrepresenting information to LM regarding the companies owned and/or operated by members and/or officers of the defendants including their partners under which the policy provided workers compensation coverage.
 - As a result of the false information provided to LM by SGI and the above-named defendants, LM charged the defendants a lower premium under the policy than it would have charged had it been provided with true and accurate information.
 - SGI owed LM a duty to fully and accurately disclose all information material to the Defendants' business and personnel risk.

- SGI breached their duty to disclose all information material to the Defendants' business and personnel risks.
 - SGI breached its duty to fully and accurately disclose all information material to Defendants' business and personnel risk caused LM to suffer damages in the amount of \$1,059,034.79, represented in premium due and owing under the policy.
8. Subsequently, LM and SGI stipulated to the entry of a judgment in favor of LM in the amount of \$1,059,034.73.
 9. Based upon the stipulation between LM and SGI, the United States District Court for the Eastern District of Michigan, Southern Division, entered a judgment in favor of LM against SGI in the amount of \$1,059,034.73.
 10. By engaging in the above-described conduct, Respondents violated MCL 500.1239(1) and MCL 500.4503.

COUNT II

11. Travelers Indemnity Company, et al. (Travelers), filed a complaint against Employers Company, Inc. a dissolved Michigan corporation, Employees Company One, L.L.C., Employers Company II, L.L.C., Payroll Services, L.L.C., a dissolved Michigan limited liability company, Payroll Services Six, L.L.C., a dissolved Michigan corporation, Payroll Services Seven, L.L.C., a Michigan limited liability company, SGI, a dissolved Michigan corporation, Gregory Nehra, a Michigan resident and Sean Fulgiam, a Michigan resident. in the United States District Court for the Eastern District of Michigan, Southern Division, alleging that SGI assisted the defendants in obtaining worker compensation policies and committed fraud by failing to provide proper payroll and job codes to Travelers, and allocated payroll to companies that were not reported to Travelers, which lead to defendants paying a premium rate that was much lower than they would have been required to pay if the foregoing information was accurately disclosed to Travelers. Payroll Services, L.L.C., Payroll Services Six, L.L.C., and Payroll Services Seven, L.L.C. are professional employment organizations (PEOs).
12. On or about August 23, 2006, the court issued an opinion and order granting Travelers' motion for summary judgment in part as to liability. The court stated that former employees of SGI indicated that they were fully aware of the fraud against Travelers and SGI deliberately participated in misleading Travelers and consequently is liable for fraud for failing to report the corporate structure, changes in the PEO's information and payroll to Travelers.
13. On May 14, 2007, a final judgment was entered by the United States District Court Eastern District of Michigan, Southern Division in Civil Action No. 04-CV-71494 in the amount of \$10,830,620.00 against SGI and the defendants.

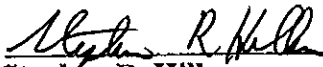
**II.
ORDER**

Based upon the Findings of Fact and Conclusions of Law above and Respondent's stipulation, the Commissioner ORDERS that:

1. Respondents shall CEASE and DESIST from violating MCL 500.1239(1), and MCL 500.4503.
2. Forthwith, Respondents shall CEASE and DESIST from engaging in any activity requiring licensure under the Michigan Insurance Code, and deliver to the Chief Deputy Commissioner their original resident producers license certificates within five days of the date of entry of this Order.
3. Respondents' resident producer licenses issued pursuant to the provisions of the Michigan Insurance Code are hereby REVOKED.

IT IS SO ORDERED

Dated: 12/28/09


Stephen R. Hilker,
Chief Deputy Commissioner

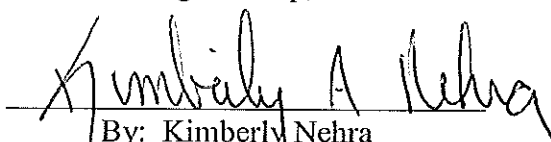
III. STIPULATION

Respondents have read and understand the Consent Order above. Respondents agree that the Chief Deputy Commissioner has jurisdiction and authority to issue this Consent Order pursuant to the Michigan Insurance Code. Respondents waive the right to a hearing in this matter if this Consent Order is issued. Respondents understand that the Consent Order and Stipulation will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this Consent Order. Respondents waive any objection to the Commissioner deciding this case following a hearing in the event the Consent Order is not approved. Respondents admit to the Findings of Fact and Conclusions of Law set forth in the above Consent Order, and agree to the entry of the Consent Order.

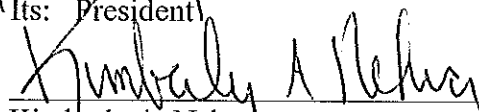
The parties agree that upon the approval of the Consent Order, Petitioner will take no further enforcement action against Respondents in this matter and will not order or impose any fine or penalty of any kind against Respondents with respect to this case.

Strategic Group, Inc.

Dated: Dec 18, 09



By: Kimberly Nehra
Its: President

Dated: Dec 18, 09


Kimberly A. Nehra

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above Consent Order.

Dated: 12/22/2009


Marlon F. Roberts
Staff Attorney